SENATE BUDGET COMMITTEE
KENT CONRAD, CHAIRMAN

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BUSH SENDS NATION BACK INTO DEFICITS

CBO Projects $4.0 Trillion Drop in Surplus and Deficits for Next Two Years

Washington, DC - The Congressional Budget Office today released new projections showing a $4.0 trillion drop in the surplus and confirming that the nation will face deficits for the next two years. The new budget figures, released by CBO Director Dan Crippen in testimony before the Senate Budget Committee, also showed a bleak fiscal outlook through the end of this decade.

"CBO's latest projections should be a wake-up call to the nation, and hopefully to the Bush Administration," said Senate Budget Committee Chairman Kent Conrad (D-ND). "While the recession and war on terrorism play a part in the short-term drop in surplus, the massive tax cut pushed through by President Bush last spring is the primary cause behind the overall deterioration in our budget picture."

According to CBO's Director Crippen, since last January, when the Bush Administration took office, the projected budget surplus for fiscal years 2002 through 2011 has dropped by $4.0 trillion. Crippen noted that the nation will face deficits of $21 billion in 2002 and $14 billion in 2003. CBO projections also show that $1.1 trillion of Social Security and Medicare trust fund surpluses will have to be used to pay for the tax cut and other government expenses through 2011.

It is important to note that the CBO figures represent an optimistic picture of where we stand, because they leave out much-needed defense and homeland security investments, and the cost of the economic stimulus package still being debated in Congress. Once these and other anticipated expenses are factored in, the ten-year budget outlook is far more bleak, with deficits extending well beyond 2003.

"The debate over tax cuts has largely missed the point," said Conrad. "It was never a circumstance of President Bush being for tax cuts and the Democrats against tax cuts. In fact, all of us supported tax cuts. It was a question of the timing and the amount of those tax relief measures. Democrats pushed for a substantially larger tax cut last year to give lift to the

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economy. But Democrats wanted smaller tax reductions over the ten-year period to protect Social Security and Medicare.

“Sadly, the President didn’t listen to our warnings. Instead, the Bush Administration has set us on a path of using $1.1 trillion of Social Security and Medicare payroll tax dollars to pay for the tax cut and other government expenses. Even worse, the Bush tax cut will be draining the federal Treasury at exactly the point when we should be preparing for the retirement of the baby boom generation. A return to deficits will mean that an additional $1 trillion will be wasted on interest payments – money that could have been used for strengthening Social Security and Medicare.”

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